

Special Improvement Districts

Description

An economic improvement district (EID) is a special purpose district in which property owners agree to collect an additional fee to fund improvements in the district. The EID is developed and managed by the property owners in the district and the investments are intended to support their businesses. Improvements may include infrastructure, such as streetscapes, lighting, and public art; services such as security and landscape maintenance; or staff dedicated to managing and marketing the district. Under a variety of names, such as special improvement district, economic improvement district, or downtown improvement districts, the tool has been used in cities across the nation and in Indiana to provide services and infrastructure that are above and beyond what might reasonably be delivered by local government. EIDs are used most frequently to provide support for commercial districts (typically downtowns) and increase retail opportunities. Economic improvement districts are frequently linked with other programs, such as Main Street, in an effort to maximize the competitiveness of downtown shopping and entertainment districts. In Indiana, economic improvement districts were made possible through state legislation passed in 1988 under Indiana Code 36-7-22.

Typical Services and Benefits of an EID

EIDs provide the district with a dedicated and consistent revenue stream that allows local business owners to act independently to make improvements that are above and beyond what might be expected from local government. The formal assessing of a benefit fee eliminates the possibility of a free-lunch for property owners that might otherwise not voluntarily pay for the benefits they receive. A recent study of special improvement districts across the United States found that the most common services provided by the districts were:

- Capital improvements, such as lighting, street furniture, and landscaping
- Marketing, including sales promotions and festivals
- Economic development efforts to assist local businesses expand and attract new business to fill in vacant store fronts
- Maintenance including trash collection, snow removal, and landscape services
- Parking management
- Provision of supplementary security
- Public space regulations such as managing sidewalk vendors, limiting pedestrian solicitation, and controlling vehicle load/unloading

Forming an Economic Improvement District

Economic improvement districts cannot be formed without the support of the majority of the taxpayers within the area. Typically, the impetus for forming an EID comes from a group of local business owners and / or residents that have an interest in revitalizing or preserving their business district. Oftentimes, concerned property owners create a leadership committee to explore the potential of an EID as well as other tools. If the decision is made to pursue an EID, the leadership committee then engages other property owners in the discussion. If there is enough support, the next step is to define the specific area of the district and develop an operating plan describing what services would be provided and/or infrastructure investments made under the auspices of the EID.

Additionally, the leadership committee must determine the annual costs for delivering the services and develop a formula that fairly identifies the annual assessment that all property owners in the EID must contribute. Once this information is assembled, Indiana law requires that the majority of property owners within the proposed district and the owners of at least 66 and 2/3 percent of the assessed value in the district sign a petition approving the creation of the district. If the petition meets those requirements, it is submitted to the appropriate local legislative body in ordinance form for a public hearing and a vote approving or denying the creation of the EID.

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In Indiana, an EID is formed with a ten-year limited life span. If, after 10 years, property owners want to continue the EID they must go through the petition process a second time. An EID can be dissolved at any time prior to the 10 year term limit.

Establishing the Assessment Formula

IC 36-7-22-5 describes the means to determine the benefit (or assessment) for parcels within the EID. Specifically, the law states that the benefits accruing to parcels of real property within an economic improvement district may be apportioned among those parcels on any basis reasonably representative of the diffusion of benefits from the economic improvement project, including the following:

- (1) Proximity of the parcel to the project.
- (2) Accessibility of the parcel to the project.
- (3) True cash value of the parcel.
- (4) True cash value of any improvement on the parcel.
- (5) Age of any improvement on the parcel.
- (6) Other similar factors.

While there is little literature describing or summarizing the different ways benefit is assessed, it is best to keep the formula simple and transparent. An EID recently formed in Indianapolis uses an assessment formula based on the linear parcel frontage of each property located in the EID. Not-for-profit properties assessments are reduced by one-third and residential properties are excluded from the assessment of property. Annual budget increases are limited to a maximum of five percent.

Relevant Statutes

- Indiana Code 36-7-22 Economic Improvement Districts

Capacity Recommendations

In most cases a not-for-profit such as a Main Street organization, community development corporation, or local chambers of commerce serves as the convener of the EID effort. Legal counsel may be useful in preparing the necessary documents and interfacing with the appropriate local government, particularly for a new district.

Guidelines / Considerations for Implementation

Care must be taken to educate property owners about the benefits and to answer typical concerns that arise. The primary concern typically expressed regarding an EID is about offsetting existing expenditures of the local government with no additional benefit. It is important to identify the additional services that will be provided that are above and beyond the existing local levels of service. Other concerns revolve around issues of open and transparent management and reporting, specifically the level of accountability regarding decisions about how to allocate district resources and how to measure the effectiveness of the investments. Care should be taken to see that the EID does not become perceived as a tool for an elite set of property owners within the district.

Example Ordinances

No examples ordinances have been identified for this tool.

Example Studies

No example studies are available for this tool.

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Helpful References and Links

No additional references or links have been identified for this tool.

Helpful Contacts

- **LISC Indianapolis** has provided assistance to a few neighborhood retail associations that have explored and in some cases established EIDs. [<http://www.lisc.org/indianapolis/>].

Other Possible Funding Sources

No other funding sources have been identified for this tool.

Program Objectives and Issues Addressed

- Economic development
- Supporting existing retail,
- Support small area economic development

See Also

No other tools have been referenced for this tool.